



Duke A. Bennett
Mayor

The City of Terre Haute

Changes in Residential
Property Tax Bills

Duke A. Bennett, Mayor
Leslie Ellis, CPA, Controller



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Why Have Property Tax Bills Changed in 2009?

Legislation passed by the 2008 Indiana General Assembly has greatly changed how schools and local governments are funded and how residential property tax bills are determined.

- Reduced property taxes levied
- Reduced state property tax support payments
- Expanded homestead deductions
- Expanded property tax caps



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What are Property Tax Levies and How are They Funded?

- Property tax levies represent the amount of money collected by local governments and schools from property tax assessments to fund local services.
- Property tax levies are funded from two sources:
 - First, from tax collections from property taxpayers
 - Second, from the property tax relief payments from the State of Indiana



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Changes To Property Tax Levies in 2009

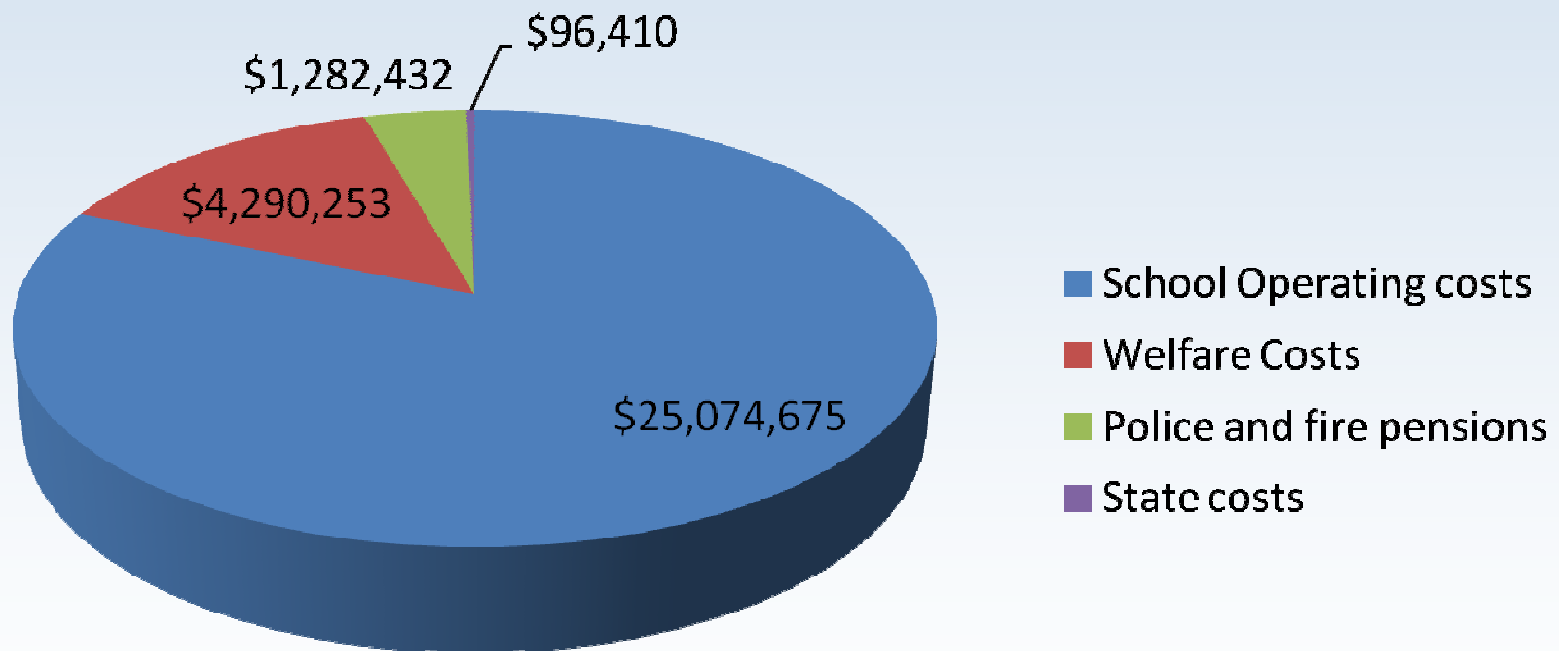
- Certain local costs, previously funded by local property tax levies, are now funded directly by the State beginning with taxes payable in 2009
 - These costs included state expenses and many local welfare expenses, school operational costs and certain police and fire pension expenses
 - In 2008, these costs, or levies, totaled \$30,743,770
- Local taxing units are required to reduce the amount of property taxes levied by the amount of costs taken over by the State



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Reduction in 2009 Property Taxes To Be Levied in Vigo County

\$30.7 million of costs removed





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Reduction in State Property Tax Relief

- State Property Tax Replacement Credits and State Homestead Credits that were paid to counties in 2008 to reduce the amounts of local property taxes being collected were eliminated in 2009
 - In Vigo County, these support payments amounted to \$33,877,512 in 2008
- While the total costs to be funded by local taxing units, or levies, were reduced in 2009, property tax collections increased to replace the loss of these State revenues



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Temporary Homestead Credits

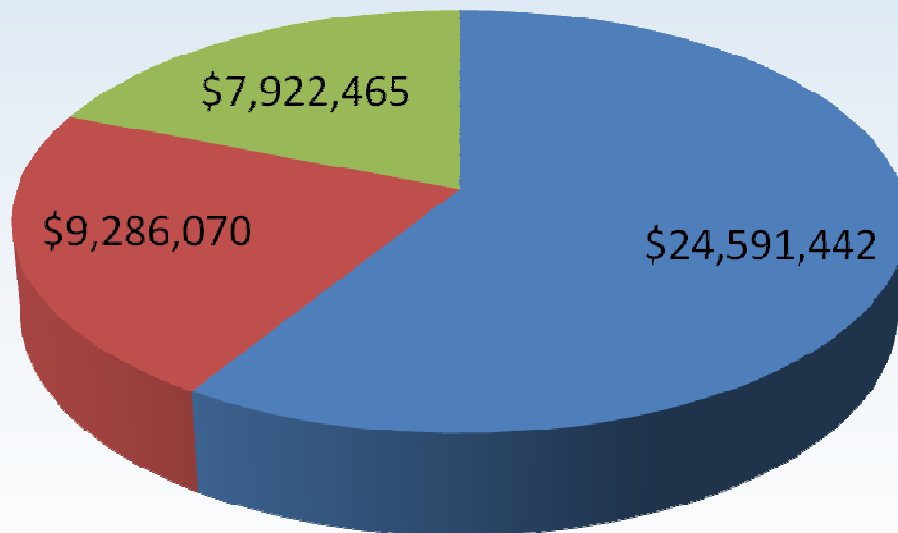
- To smooth the transition of changing property tax relief in 2008 and 2009, the 2008 legislation provided additional, *but temporary*, tax credits for home owners funded by State revenues
- Temporary homestead credits:
 - 2008 \$9,753,380
 - 2009 \$1,830,915
 - 2010 completely eliminated



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Reduction in 2009 State Property Tax Support in Vigo County

\$41.8 million reduction



- Property tax replacement funds
- Homestead credit funds
- Temporary homestead credits



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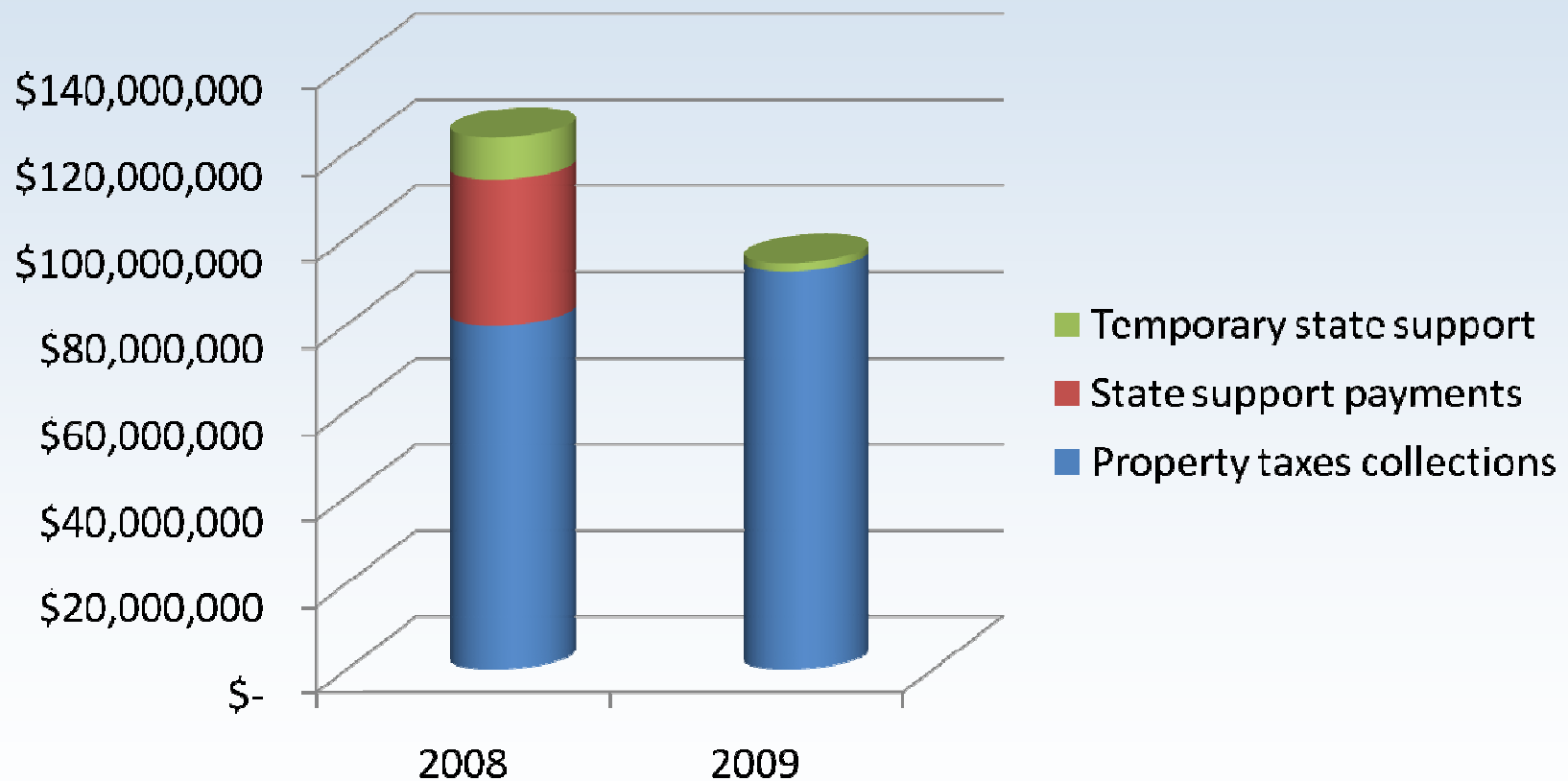
Effect of These Funding Changes

- The total amounts to be collected by local schools and governments (property tax levies) ***decreased*** by \$30 million in 2009
- But, property tax collections must ***increase*** by \$12 million to offset the loss of state property tax support payments



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Comparison of Vigo County Property Tax Levies and Funding





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Changes in Homestead Deductions from Assessed Value

- 2008 legislation expanded residential homestead deductions by:
 - an additional 35% of the next
 - \$600,000 of taxable value and
 - 25% of taxable value thereafter
- This deduction greatly reduces property tax bills for residential taxpayers beginning in 2009



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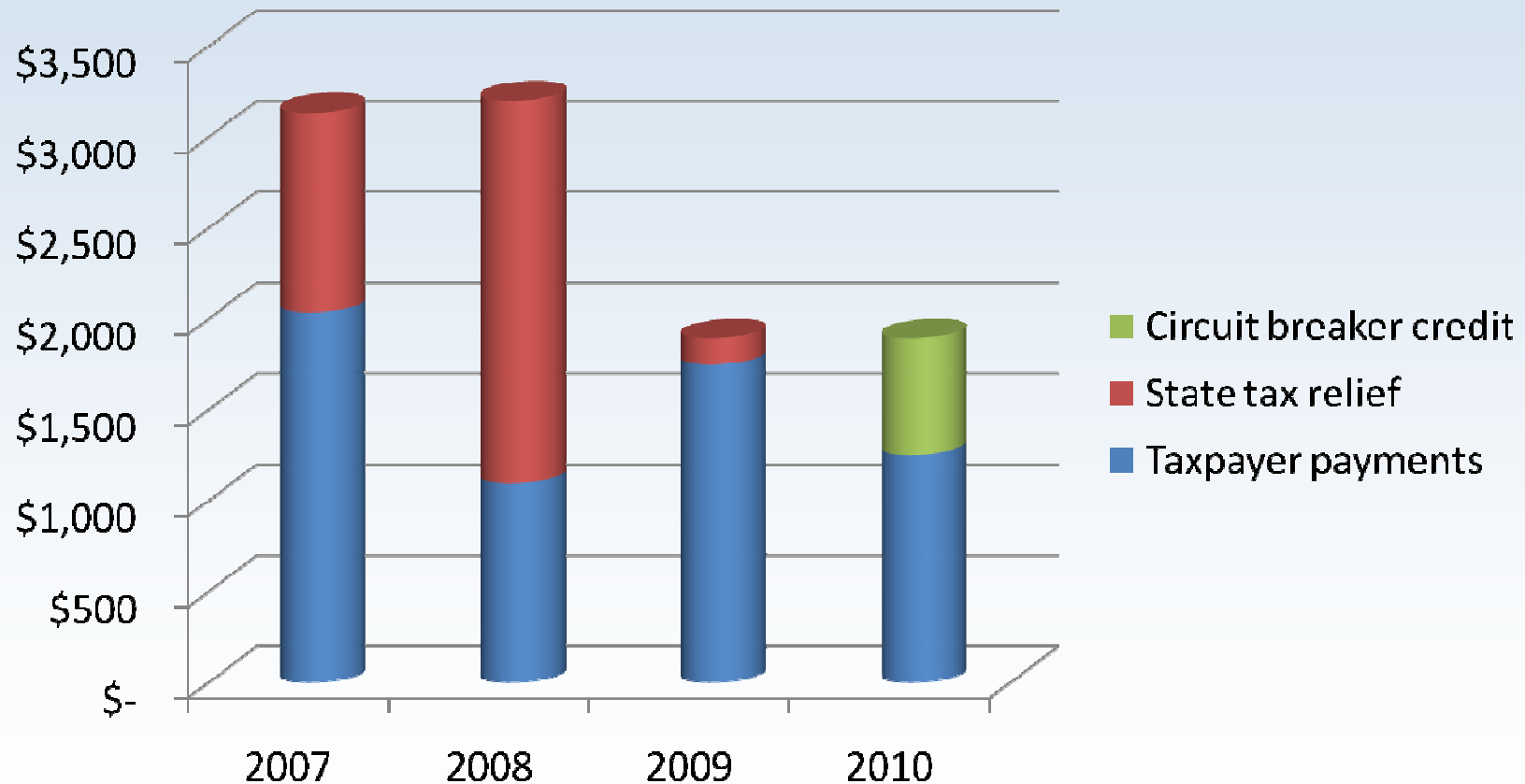
Expansion of Property Tax Caps

- Property taxes are capped in 2009
 - 1.5% for residential homesteads
 - 2.5% for other residential properties, agricultural and long-term care facilities
 - 3.5% for all other taxpayers
- In 2010, the caps reduce taxes further
 - 1% cap for residential homesteads
 - 2% cap for other residential, agricultural and long-term care facilities
 - 3% cap for all other taxpayers



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Comparative Property Tax Bills for Typical Homeowners





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What Does This Mean for Typical Homeowners?

- The total property tax bill has declined significantly since 2007
- The portion of the property tax bill paid by the State has also declined dramatically
- Even though property tax bills and the amount of tax dollars the City receives will decline in 2009, the portion of the property tax bill paid by the homeowner will increase in 2009



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Looking Forward to 2010

- More residential property tax bills will be limited by the new circuit breaker tax caps
- Fewer tax dollars available to fund local services as these “credits” from property tax reductions are not funded by other sources